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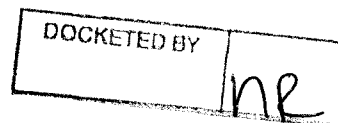
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BEFORE THE ARIZONA CORPORATION

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Arizona Corporation Commission
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SEP - 9 2013



COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2013 SEP - 9 P 4:10

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
NEW RIVER UTILITY COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN
ITS WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO. W-01737A-12-0478

NOTICE OF FILING WITNESS
TESTIMONY OF RAY L. JONES

Attached hereto as Attachment A is the summary of the pre-filed testimony submitted by
Ray L. Jones on behalf of New River Utility Company rein the above-captioned docket.

RESPECTFULLY submitted this 9th day of September, 2013.

BROWNSTEIN HYATT FARBER SCHRECK LLP

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One East Washington Street, Suite 2400
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Attorneys for New River Utility Company

ORIGINAL and thirteen (13) copies filed
this 9th day of September, 2013, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered
this 9th day of September, 2013, to:

Bob Stump, Chairman
ARIZONA CORPORATION COMMISSION
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Attachment A

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
ROBERT BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION
OF NEW RIVER UTILITY COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
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PROPERTY AND FOR INCREASES IN
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DOCKET NO. W-01737A-12-0478

TESTIMONY SUMMARY OF RAY L. JONES
SEPTEMBER 9, 2013

DIRECT TESTIMONY

Mr. Ray Jones testifies in support of a rate application by New River Company ("New River" or "Company"). New River seeks a determination of: (i) the fair value of its water utility plant and property for ratemaking purposes; (ii) a fair and reasonable rate of return thereon; and (iii) increases in its rates and charges for water utility service in its certificated service area. Mr. Jones first testifies concerning his qualifications and then discusses New River's water system and operations.

Mr. Jones next discusses growth in New River's system, noting that New River has doubled its number of service connections since its last case. Mr. Jones notes that New River has added a new well, arsenic treatment system and interconnection with the City of Peoria. This results in a more robust, sophisticated system requiring increased levels of operational expertise and effort.

Mr. Jones next discusses New River's water conservation program and water loss control program, explaining that New River's program is effective and results in water losses below 10.0%.

Mr. Jones summarizes New River's rate request. Mr. Jones explains that New River requests an increase of \$1,087,457, or 86.28%, to allow it to earn an 8.72% rate of return on its fair value rate base.

Mr. Jones explains the plant in service review he conducted for New River and discusses the valuation of Company assets prepared by Brown and Caldwell and updated by Mr. Jones. Mr. Jones explains that this valuation was used to determine the RCND rate base and that the RCND rate base was weighted 50/50 with the original cost rate base to determine the fair value rate base for Company.

Mr. Jones concludes his testimony by explaining the Company's proposed rate base and income statement adjustments, the Company's position on cost of capital and the Company's position on rate design.

Attached to Mr. Jones' testimony are

- Exhibit RLJ-DT1 – Resume of Ray L. Jones
- Exhibit RLJ-DT2 – Required Schedules
- Exhibit RLJ-DT3 – Brown and Caldwell Valuation Report
- Exhibit RLJ-DT4 – RCND Study

REBUTTAL TESTIMONY

Mr. Jones responds to the direct testimony of Staff witnesses Crystal S. Brown, Marlin Scott, Jr. and John A. Cassidy, including their positions regarding rate base, operating income and cost of capital, focusing on the points of disagreement between Staff and New River.

Mr. Jones presents the Company's rebuttal revenue requirement, explaining that New River had reduced its rate request to a revenue increase of \$698,765, or 55.44%.

Mr. Jones discusses each of Staff's proposed rate base adjustments, explaining the Company accepted Staff adjustments No. 1, No. 3, No. 4, No. 5, No. 6, No. 8. With regard to Staff rate base adjustments No. 2, No. 7 and No. 9, Mr. Jones explains the differences between Staff and

1 the Company's positions and points out what the Company believed were errors in Staff's
2 positions.

3
4 Mr. Jones discusses each of Staff's proposed operating income adjustments, explaining the
5 Company accepted Staff Adjustments No. 1, No. 2, No. 4, No. 5, No. 6, No. 7, No. 8, No. 14,
6 and No. 17. Mr. Jones discusses each of the other income statement adjustments proposed by
7 Staff and highlights the differences between Staff and the Company's positions.

8
9 Next Mr. Jones addresses Staff's recommendations related to the intercompany balance between
10 New River and Cody Farms, record keeping and best management practices. Mr. Jones explains
11 the Company's objections to Staff recommendations regarding Cody Farms and BMP's. Mr.
12 Jones explains that New River will accept Staff's record keeping recommendation, but that this
13 will necessitate the hiring of a new Accounting Analyst.

14
15 Mr. Jones briefly discusses Staff's rate design, indicating where the Company and Staff agree
16 and disagree. Mr. Jones next discusses Staff's Meter and Service Line Charges and Service
17 Charges and agrees to Staff's recommendations.

18
19 Mr. Jones concludes his Rebuttal Testimony by discussing Staff's cost of capital
20 recommendation. Mr. Jones explains why Staff's recommendation is not reasonable and
21 inconsistent with recent Commission decisions and Staff testimony.

22
23 **Rejoinder Testimony**

24 Mr. Jones responds to the direct testimony of Staff witnesses Crystal S. Brown, Del Smith and
25 John A. Cassidy, including their positions regarding rate base, operating income and cost of
26 capital, focusing on the points of disagreement between Staff and New River.

27
28 Mr. Jones presents the Company's rebuttal revenue requirement, explaining that New River has
29 increased its rate request to a revenue increase of \$761,820, or 60.44%. Mr. Jones explains that
30 the increase in revenue requirement, as compared to the Company's rebuttal filing, is
31 attributable to the Company omitting, in its rebuttal filing, a portion of an expense
32 reclassification proposed by Staff and agreed to by the Company.

33
34 Mr. Jones explains the Company and Staff have narrowed their rate base differences to
35 disagreement regarding four individual items. Mr. Jones discusses each of remaining points of
36 disagreement and points out what the Company believed were inadvertent omissions in Staff's
37 positions.

38
39 Mr. Jones discusses Staff's rate design, noting that Staff's rate design produces approximately
40 \$273,000 more in revenue than the \$422,381 increase recommended by Staff. Mr. Jones also
41 provides several general observations regarding Staff's rate design. The observations include
42 noting that Staff's rate design is heavily weighted to the 3rd consumption tier, making it difficult
43 for the Company to collect the revenue requirement and earn its authorized rate of return.

44
45 Mr. Jones concludes his Rebuttal Testimony by discussing Staff's cost of capital
46 recommendation. Mr. Jones explains why Staff's recommendation is not reasonable and
47 inconsistent with recent Commission decisions and Staff testimony.